

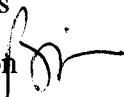


GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Mike Beatty
COMMISSIONER

Sonny Perdue
GOVERNOR

To: DCA Board Members; Mayors; County Commission Chairmen; Regional Development Centers; Chambers of Commerce; Development Authorities; Other Interested Parties

From: Brian Williamson 

Date: December 22, 2005

Re: EDGE and REBA Accountability Policy

Please note that the Department of Community Affairs, in partnership with the Georgia Department of Economic Development (GDEcD) and the OneGeorgia Authority, has established a new claw-back and accountability policy for OneGeorgia's EDGE and DCA's REBA incentive programs. Our thanks go out to the Georgia Economic Developers Association (GEDA) who hosted two public hearings and whose members provided numerous comments, suggestions and technical recommendations as the new policy was being developed. Please note that for recommendations issued by GDEcD after 12/31/05, the claw-back provisions outlined below and also described in more detail at www.dca.state.ga.us/main/news/index.asp will become mandatory for EDGE and REBA incentive awards.

We have incorporated many of the comments and suggestions received during the public hearings into the final provisions in an effort to make them more compatible for the development authority transactions that will often accompany the assistance. We look forward to working with local governments, authorities, and participating businesses to continue the improvement of accountability for our incentive programs. Should anyone have questions on the new provisions, please feel free to contact DCA at (404) 679-1587.

EDGE and REBA Accountability Policy

- Each business assisted with EDGE or REBA financial assistance must be accountable for the delivery of appropriate public benefits that include a specific number of jobs to be created or retained and private capital investment;
- A standard clawback agreement will be executed between the local development authority and the business, which will be assigned without recourse to the OneGeorgia Authority for EDGE awards or DCA for REBA awards;
- Benefits will be measured as an average of the percentages of the actual number of full time equivalent jobs created or retained (as applicable) and actual private capital invested;
- Each assisted business must deliver at least 70% of the committed benefits within an established performance period which will generally end 24 months after the completion of the funded activity (as with our current protocols, extensions of the performance period will be granted for good cause); and

- Businesses that deliver less than 70% of their committed public benefits will be subject to a prorated repayment requirement.

Example A – Repayment Required

A \$500,000 state grant to assist with site development was part of Company A's consideration to locate in Georgia rather than an out-of-state location. As part of the deal, Company A committed to create 600 jobs and make a \$5,000,000 capital investment to construct and operate a new production facility in Georgia. 24 months following the opening of the facility, Company A has actually created 400 jobs and invested \$3,500,000 into a smaller facility.

- Grant Amount \$500,000
- Original Commitment – 600 jobs & \$5,000,000 investment
- Actual jobs delivered – 400 (66% of Commitment)
- Actual investment delivered -- \$3,500,000 (70% of Commitment)
- $66\% + 70\% = 136/2 = 68\%$ Overall Benefit Actually Delivered
- \$340,000 (68%) of grant is OK
- \$160,000 (32%) would have to be repaid

Example B – No Repayment Necessary

A \$500,000 state grant to assist with the purchase of production equipment was part of Company B's consideration to locate in Georgia rather than an out-of-state location. As part of the deal, Company B committed to create 600 jobs and make a \$5,000,000 capital investment to construct and operate a new manufacturing facility in Georgia. 24 months following the opening of the facility, Company B has actually created 600 jobs and invested \$4,250,000 into a redesigned facility that saved \$750,000 in capital investment.

- Grant Amount \$500,000
- Commitment – 600 jobs & \$5,000,000 investment
- Actual jobs delivered – 600 (100%)
- Actual investment delivered -- \$4,250,000 (85%)
- $100\% + 85\% = 185/2 = 92.5\%$ Benefit
- No repayment required